



Financial Report
with Supplemental Information

June 30, 2017

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City of Northville, Michigan

**Financial Report
with Supplemental Information
June 30, 2017**

City of Northville, Michigan

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City of Northville, Michigan

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Independent Auditor's Report

To the Mayor and Members of the City Council
City of Northville, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northville, Michigan (the "City") as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the City of Northville, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Northville, Michigan as of June 30, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Mayor and Members of the City Council
City of Northville, Michigan

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Northville, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The other supplemental information, as identified in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plant & Moran, PLLC

November 7, 2017

City of Northville, Michigan

Management's Discussion and Analysis

The following discussion and analysis of the financial performance for the City of Northville, Michigan (the "City") provides an overview of the City's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the City's financial statements.

Financial Highlights

Due to financial reporting changes required by GASB Statement No. 54 in fiscal year 2011, the Street, Drainage, and Sidewalk Improvement Fund, the Interfund Investment Pool Fund, and the Payroll Fund are included with the General Fund for financial reporting purposes. The Street, Drainage, and Sidewalk Improvement Fund accounts for proceeds from a dedicated millage. The expenditures are based upon a rolling 20-year capital improvement plan for improvements throughout the City. The Payroll Fund accounts for the activity related to employee fringe benefits costs. The Interfund Investment Pool accounts for accrued interest receivable at year end.

- The General Fund increase of \$190,826 was due to several factors. Revenue was higher than expected by \$44,000 mainly in licenses, fees, and permits and cemetery services. The remainder was primarily due to staff vacancies in the police and public works departments.
- The Street, Drainage, and Sidewalk Improvement Fund decrease of \$279,123 was due to street improvement projects that were deferred from the prior year.

Property tax revenue increased 2.2 percent from the prior year and it continues to be the City's single largest source of revenue at approximately 56 percent of governmental revenue. The City's millage generated approximately \$4.8 million to support General Fund operations and approximately \$592,000 for street maintenance and improvements.

State-shared revenue, the City's second largest source of revenue in the General Fund, remained consistent with the prior year. This revenue source includes liquor license fees, constitutional revenue sharing, and City, Village, Township Revenue Sharing (CVTRS) payments.

Rental income is another significant source of governmental revenue. This includes cell tower rent recorded in the General Fund and tenant rents at Allen Terrace, a senior housing facility. The Housing Commission approved a 1.46 percent increase in rent at the beginning of the fiscal year. The City has leases with five cellular providers which allows placement of their equipment at the public works yard and on the water tower.

The State of Michigan, under Act 51, distributes revenue received from gasoline taxes to municipalities for maintenance of major and local streets. This revenue source increased 15 percent over the prior year due the increased motor fuel and vehicle registration taxes signed into law in November 2015.

A valuation for other postemployment benefits (OPEB) was last received as of December 31, 2016. The actuarially accrued liability was calculated at \$18.7 million with unfunded portion at \$10.6 million. The City advance funded \$343,374 to the plan, bringing the funded ratio to 43.3 percent.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The total pension liability is \$19.9 million and the plan net position is \$11.5 million. The net pension liability is \$8.4 million. The City contributed an additional \$418,020 beyond the annual required contribution. There are a total of 82 participants in the plan, of which 10 are active.

The Parks and Recreation Commission is responsible for a portion of both the pension and OPEB liabilities. Of the \$8.4 million net pension liability, the commission's share is \$355,526. Of the \$11.5 million unfunded OPEB liability, the commission's share is \$889,774.

Funds have been set aside in the amount of approximately \$525,000 to fund the accumulated compensated absences liability. This represents accumulated vacation, sick, and comp time earned by employees.

Long-term debt for the primary government is \$2.2 million. There are two general obligation debt issues outstanding. The Allen Terrace Renovation Bonds mature in fiscal year 2023 and the Streetscape Improvement Bonds mature in fiscal year 2025. There is one outstanding installment purchase agreement which is a 10-year obligation jointly shared with the City of Plymouth, Michigan.

The City's business-type activities have no outstanding debt as of the end of the fiscal year. This is consistent with the City's long-term goal to reduce debt. Where appropriate, a well-planned "pay-as-you-go" system has been established and utilized.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as trustee or agent for the benefit of those outside of the City.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the current year's net position compared to the two prior years:

	Governmental Activities				Percent Change
	2015	2016	2017	Change	
Assets					
Other assets	\$ 13,763,229	\$ 14,597,424	\$ 14,618,864	\$ 21,440	0.1%
Capital assets	<u>27,009,949</u>	<u>26,138,772</u>	<u>25,701,072</u>	<u>(437,700)</u>	-1.7%
Total assets	40,773,178	40,736,196	40,319,936	(416,260)	-1.0%
Deferred Outflows - Deferred					
outflows related to pensions	813,615	1,447,276	971,881	(475,395)	-32.8%
Liabilities					
Current liabilities	1,116,647	1,335,594	1,828,195	492,601	36.9%
Long-term liabilities	<u>11,445,620</u>	<u>12,216,251</u>	<u>10,652,961</u>	<u>(1,563,290)</u>	-12.8%
Total liabilities	<u>12,562,267</u>	<u>13,551,845</u>	<u>12,481,156</u>	<u>(1,070,689)</u>	-7.9%
Net Position					
Net investment in capital assets	24,844,949	23,721,175	23,534,072	(187,103)	-0.8%
Restricted	1,674,048	2,046,628	1,588,209	(458,419)	-22.4%
Unrestricted	<u>2,505,529</u>	<u>2,863,824</u>	<u>3,688,380</u>	<u>824,556</u>	28.8%
Total net position	<u>\$ 29,024,526</u>	<u>\$ 28,631,627</u>	<u>\$ 28,810,661</u>	<u>\$ 179,034</u>	0.6%

Overall, the City's net position of governmental activities increased by 0.6 percent from a year ago. The decrease in total assets was primarily due to depreciation expense.

The decrease in deferred outflows was directly related to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount was a result of two transactions: (1) contributions to the defined benefit pension plan subsequent to the plan's year end (December 31, 2016) to the end of the fiscal year (June 30, 2017), and (2) the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

The increase in current liabilities was due to the timing of accounts payable at year end. The decrease in long-term liabilities was related to the reduction in the net pension liability and the OPEB liability.

The decrease in restricted net position was primarily related to the use of cash for street improvements. The increase in unrestricted net position was related to increasing the reserves for future capital purchases and improvements in order to maintain a pay-as-you-go system.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The following table shows the changes in net position during the current year as compared to the two prior years:

	Governmental Activities				Percent Change
	2015	2016	2017	Change	
Revenue					
Program revenue:					
Charges for services	\$ 2,290,081	\$ 2,356,968	\$ 2,396,570	\$ 39,602	1.7%
Operating grants	669,593	708,945	662,876	(46,069)	-6.5%
Capital grants	567,272	285,416	69,527	(215,889)	-75.6%
General revenue:					
Property taxes	5,025,712	5,316,091	5,433,778	117,687	2.2%
State-shared revenue	531,338	531,475	558,081	26,606	5.0%
Investment earnings	15,865	111,139	5,622	(105,517)	-94.9%
Franchise fees	178,528	188,044	191,892	3,848	2.0%
Racetrack breakage	182,566	107,591	119,089	11,498	10.7%
Gain on disposal of assets	25,863	-	-	-	0.0%
Other revenue	-	-	-	-	0.0%
Total revenue	9,486,818	9,605,669	9,437,435	(168,234)	-1.8%
Program Expenses					
General government	1,864,220	2,236,124	1,816,548	(419,576)	-18.8%
Public safety	3,250,219	3,823,810	3,403,454	(420,356)	-11.0%
Public works	2,513,420	2,469,822	2,668,713	198,891	8.1%
Senior housing	768,108	903,582	861,982	(41,600)	-4.6%
Recreation and culture	355,856	257,806	318,019	60,213	23.4%
Interest on long-term debt	63,613	68,318	62,466	(5,852)	-8.6%
Total expenses	8,815,436	9,759,462	9,131,182	(628,280)	-6.4%
Transfers	-	(239,106)	(127,219)	111,887	100.0%
Change in Net Position	\$ 671,382	\$ (392,899)	\$ 179,034	\$ 571,933	-145.6%

Overall, governmental revenue decreased 1.8 percent from the prior year. That was due to a combination of factors described below.

The decrease in operating grants was primarily related to a contribution from Northville Township for the consultant services for the Fish Hatchery pond repairs in the prior year. The decrease in capital grants was due to a contribution from the City of Plymouth, Michigan for a down payment on a new vehicle in the prior year.

The decrease in investment earnings was due to recording the unrealized loss on investments.

The increase in racetrack breakage was a result of Northville Downs not having enough money in the pool to pay off bets on certain days causing "negative breakage" to occur in the prior year.

The overall decrease in total expenses was primarily due to a reduction in the current year expense for pension and other postemployment benefits from the prior year.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer and Refuse and Recycling Funds. The City maintains transmission lines that allow customers to receive water from the Great Lakes Water Authority and deliver it to its residents. In addition, a water tower is operated and maintained to supplement water pressure during periods of peak water demand. Sewage treatment is provided through Wayne County's Rouge Valley Sewage Disposal System. Refuse collection and recycling services are provided by an outside commercial entity.

The following table shows, in a condensed format, the current year net position and changes in net position, compared to the prior two years:

	Business-type Activities				Percent Change
	2015	2016	2017	Change	
Assets					
Other assets	\$ 1,383,240	\$ 1,567,775	\$ 1,733,844	\$ 166,069	10.6%
Capital assets	<u>5,598,591</u>	<u>5,401,376</u>	<u>5,537,530</u>	<u>136,154</u>	2.5%
Total assets	6,981,831	6,969,151	7,271,374	302,223	4.3%
Deferred Outflows - Deferred					
outflows related to pensions	62,182	135,180	95,883	(39,297)	-29.1%
Liabilities					
Current liabilities	282,424	294,235	273,049	(21,186)	-7.2%
Long-term liabilities	<u>851,875</u>	<u>1,169,250</u>	<u>1,081,912</u>	<u>(87,338)</u>	-7.5%
Total liabilities	<u>1,134,299</u>	<u>1,463,485</u>	<u>1,354,961</u>	<u>(108,524)</u>	-7.4%
Net Position					
Net investment in capital assets	5,598,591	5,401,376	5,537,530	136,154	2.5%
Unrestricted	<u>311,123</u>	<u>239,470</u>	<u>474,766</u>	<u>235,296</u>	98.3%
Total net position	<u>\$ 5,909,714</u>	<u>\$ 5,640,846</u>	<u>\$ 6,012,296</u>	<u>\$ 371,450</u>	6.6%

An increase in total net position of 6.6 percent was expected for the following reasons:

The increase in current assets was expected. Cell tower revenue was transferred from the General Fund to the Water and Sewer Fund to increase cash reserves.

The increase in capital assets and net investment in capital assets was due to the current year depreciation expense offset by the addition of new water mains.

The decrease in deferred outflows was directly related to the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The amount was a result of two transactions: (1) contributions to the defined benefit pension plan subsequent to the plan's year end to the end of the fiscal year and (2) the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

The change in accounts payable fluctuates annually due to timing of payments at year end for capital improvement projects.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The increase in long-term liabilities was due to the pension and other postemployment benefits changes.

	Business-type Activities				Percent Change
	2015	2016	2017	Change	
Operating revenue:					
Water and sewer	\$ 2,281,296	\$ 2,538,489	\$ 2,927,067	\$ 388,578	15.3%
Refuse and recycling	463,374	555,747	617,824	62,077	11.2%
Operating expenses:					
Water and sewer	2,697,841	2,889,829	2,718,501	(171,328)	-5.9%
Refuse and recycling	539,747	675,052	544,975	(130,077)	-19.3%
Operating (loss) gain	(492,918)	(470,645)	281,415	752,060	
Interest income	758	6,801	525	(6,276)	-92.3%
Allocated Internal Service:					
Fund net loss	(9,474)	(44,130)	(37,709)	6,421	-14.6%
Transfers	-	239,106	127,219	(111,887)	-46.8%
Change in Net Position	\$ (501,634)	\$ (268,868)	\$ 371,450	\$ 640,318	238.2%

Revenue from the water and sewer operations increased 15.3 percent over the prior year. This was primarily due to a 9.8 percent increase in the combined water and sewer rate. A second outside meter for irrigation purposes is a discretionary revenue source which varies with the heat and moisture each summer. Due to an extremely dry spring and early summer 2017, this revenue source was higher than last year.

The increase in revenue from refuse and recycling operations was due to rate increases in the commercial program of 9.5 percent and the residential program of 8.4 percent.

The decrease in operating expenses was primarily a direct result of the change in pension and other postemployment benefit expenses from the prior year.

The decrease in transfers was directly related to the amount of cell tower revenue transferred from the General Fund to improve the cash position of the Water and Sewer Fund.

The City's Funds

The presentation of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as dedicated property tax millages. The City's major governmental funds for 2017, as defined by Governmental Accounting Standards Board Statement No. 34, are the following:

- General Fund
- Public Improvement Fund

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

The General Fund accounts for all police, fire, public works, planning and zoning, and administrative functions of the city government. The budget is essentially a "maintenance" budget, which means it increases modestly from year to year. The budget is monitored closely and amended quarterly.

Due to financial reporting changes required by GASB Statement No. 54 in fiscal year 2011, the Street, Drainage, and Sidewalk Improvement Fund, Investment Pool Fund, and the Payroll Fund are included with the General Fund for financial reporting purposes. The Street, Drainage, and Sidewalk Improvement Fund accounts for proceeds from a dedicated millage. The expenditures are based upon a rolling 20-year capital improvement plan for improvements throughout the City. The Payroll Fund accounts for the activity related to employee fringe benefits costs. The Investment Pool Fund accounts for investment activity.

The General Fund pays for most of the City's governmental services. The most significant category is the police department, which represents 40.8 percent of total General Fund expenditures, which is consistent with the prior year.

Shared services contributions account for 3.3 percent of total expenditures. Contributions from both the City of Northville, Michigan and Northville Township provide funding for parks and recreation activities, senior adult services, and the youth assistance program.

Operating transfers out are primarily from the Street, Drainage, and Sidewalk Fund to the Major and Local Streets Funds for street improvements. Transfers from the General Fund are primarily committed for future capital needs.

Property values continue to be stable in the City. Property taxes represent 69.7 percent of General Fund revenue. The General Fund contributed \$335,000 to advance fund the retiree healthcare and pension trust funds.

Other Major Funds Highlights

The Public Improvement Fund accounts for racetrack breakage revenue and special public improvement projects. Annually, the Northville City Council commits breakage funds received in excess of police and fire service costs at Northville Downs racetrack. The allocation of those funds is generally for physical improvements or programs that are of a general public nature.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of fiscal year 2017, the City had approximately \$31 million invested in a broad range of capital assets, including land and buildings, police and fire equipment, infrastructure, and water and sewer lines.

The City continues to collect a dedicated millage approved by the voters in March 1997 for comprehensive improvements to streets, drains, and sidewalks. The focus of the related capital project spending continues to be in conjunction with a 20-year improvement plan, which is reviewed on an ongoing basis.

The City also utilizes a Fire Equipment Replacement Fund and a Police Equipment Replacement Fund. These funds allow for the purchase of equipment following a 20-year replacement program to keep equipment up to date and meet current standards. A pay-as-you-go system is utilized.

The total debt outstanding at the end of the year related to governmental activities was just under \$2.2 million. This represents less than 1 percent of the City's state equalized value (SEV). The City is significantly under the legal debt margin, as defined by state statute, of 10 percent of SEV.

Economic Factors and Next Year's Budgets and Rates

The net taxable value of the City increased 3.1 percent for the next fiscal year. The City's operating millage was 13.5864 in FY 2017 and will stay the same for FY 2018. This will provide for an additional \$191,000 in general operating tax revenue. For FY 2018, the City's millage for Streets, Drainage, and Sidewalk Improvements has decreased from 1.7329 to 1.7097 mills due to a Headlee rollback.

The City's maximum allowable levy for operations decreased to 13.7233 leaving an unlevied millage rate of 0.1369. The City will be undertaking a comprehensive financial analysis to tackle this issue along with the increased need for infrastructure improvements.

Constitutional revenue sharing is budgeted to increase 2.3 percent while the City, Village, Township Revenue Sharing remains consistent with the prior year.

The City provides fire prevention, fire suppression, and emergency medical services to the City of Plymouth, Michigan. It reimburses 56 percent of the costs to the City of Northville, Michigan, down from 59 percent in the prior year.

The water and sewer rate structure is set up to cover the Great Lakes Water Authority water costs, Wayne County sewage disposal costs, capital improvements, and increased operational and maintenance costs. The City increased the combined water and sewer rate from \$13.49 to \$14.99 per unit, or 11 percent, effective July 1, 2017. The service charge increased from \$3.31 to \$3.37 bimonthly to cover inflationary costs in the billing process. The meter replacement charge increased from \$2.09 to \$3.70 bimonthly to implement a multi-year program to replace all aging meters within the City. The City has no debt in the Water and Sewer Fund.

City of Northville, Michigan

Management's Discussion and Analysis (Continued)

The Housing Commission increased the rent at Allen Terrace, an independent senior citizen apartment community, by 1.44 percent, from \$695 to \$705, for one-bedroom apartments.

The administration of parks and recreation and senior adult services, a shared service with the Charter Township of Northville, will be transferred to the township effective January 1, 2018. This change will lower full time staffing levels by 16 percent.

All departments will continue to evaluate how to maintain a high level of service to the citizens while containing costs. Containing rising healthcare and pension costs will continue to be a high priority of administration. Additional contributions in an attempt to reduce the unfunded pension and other postemployment liabilities will be made when funding is available.

Contacting the City's Management

This financial report is intended to provide the citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City's finance office at 215 West Main Street, Northville, Michigan 48167 or via the City's website at www.ci.northville.mi.us.

City of Northville, Michigan

Statement of Net Position June 30, 2017

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 12,437,161	\$ 1,053,153	\$ 13,490,314	\$ 444,248
Receivables:				
Property taxes receivable	2,694	-	2,694	-
Receivables from sales to customers on account	-	906,925	906,925	-
Accrued interest receivable	40,435	-	40,435	-
Other receivables	260,604	95	260,699	27
Due from other governmental units	221,698	-	221,698	-
Special assessments receivable	74,011	-	74,011	-
Internal balances	279,043	(279,043)	-	-
Inventory	53,937	45,193	99,130	-
Prepaid expenses and other assets	155,651	7,521	163,172	2,460
Restricted assets (Note 8)	272,333	-	272,333	-
Investment in joint ventures (Note 12)	596,297	-	596,297	-
Land held for resale	225,000	-	225,000	-
Capital assets (Note 5):				
Assets not subject to depreciation	3,808,544	62,631	3,871,175	-
Assets subject to depreciation	21,892,528	5,474,899	27,367,427	-
Total assets	40,319,936	7,271,374	47,591,310	446,735
Deferred Outflows of Resources -				
Deferred outflows related to pensions (Note 9)	971,881	95,883	1,067,764	-
Liabilities				
Accounts payable	527,271	249,360	776,631	30,297
Due to other governmental units	30,736	-	30,736	-
Refundable deposits, bonds, etc.	134,040	10,737	144,777	-
Accrued liabilities and other	676,508	4,374	680,882	24,878
Unearned revenue	26,846	-	26,846	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 7)	170,794	8,578	179,372	-
Current portion of long-term debt (Note 7)	262,000	-	262,000	-
Due in more than one year:				
Compensated absences (Note 7)	354,963	12,948	367,911	-
Net retiree healthcare obligation (Note 11)	1,049,645	343,897	1,393,542	-
Net pension liability (Note 9)	7,343,353	725,067	8,068,420	-
Long-term debt (Note 7)	1,905,000	-	1,905,000	-
Total liabilities	12,481,156	1,354,961	13,836,117	55,175

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Northville, Michigan

Statement of Net Position (Continued) June 30, 2017

	Primary Government			Component Unit - Downtown Development Authority
	Governmental Activities	Business-type Activities	Total	
Net Position				
Net investment in capital assets	\$ 23,534,072	\$ 5,537,530	\$ 29,071,602	\$ -
Restricted for:				
Roads, streets, drainage, and sidewalk improvements	1,462,106	-	1,462,106	-
Insurance retention	98,590	-	98,590	-
Police forfeitures	27,513	-	27,513	-
Unrestricted	3,688,380	474,766	4,163,146	391,560
Total net position	<u>\$ 28,810,661</u>	<u>\$ 6,012,296</u>	<u>\$ 34,822,957</u>	<u>\$ 391,560</u>

City of Northville, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,816,548	\$ 743,274	\$ 2,242	\$ -
Public safety	3,403,454	681,073	14,553	50,423
Public works	2,668,713	27,603	613,810	-
Senior housing	861,982	826,598	32,271	19,104
Recreation and culture	318,019	118,022	-	-
Interest on long-term debt	62,466	-	-	-
Total governmental activities	9,131,182	2,396,570	662,876	69,527
Business-type activities:				
Water and sewer	2,756,210	2,927,067	-	-
Refuse and recycling	544,975	617,824	-	-
Total business-type activities	3,301,185	3,544,891	-	-
Total primary government	<u>\$ 12,432,367</u>	<u>\$ 5,941,461</u>	<u>\$ 662,876</u>	<u>\$ 69,527</u>
Component unit - Downtown Development Authority	<u>\$ 748,049</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Investment income				
Racetrack breakage				
Franchise fee revenue				
Total general revenue				
Transfers				
Change in Net Position				
Net Position - Beginning of year				
Net Position - End of year				

**Statement of Activities
Year Ended June 30, 2017**

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,071,032)	\$ -	\$ (1,071,032)	\$ -
(2,657,405)	-	(2,657,405)	-
(2,027,300)	-	(2,027,300)	-
15,991	-	15,991	-
(199,997)	-	(199,997)	-
(62,466)	-	(62,466)	-
(6,002,209)	-	(6,002,209)	-
-	170,857	170,857	-
-	72,849	72,849	-
-	243,706	243,706	-
(6,002,209)	243,706	(5,758,503)	-
-	-	-	(748,049)
5,433,778	-	5,433,778	728,040
558,081	-	558,081	-
5,622	525	6,147	72
119,089	-	119,089	-
191,892	-	191,892	24,973
6,308,462	525	6,308,987	753,085
(127,219)	127,219	-	-
179,034	371,450	550,484	5,036
28,631,627	5,640,846	34,272,473	386,524
\$ 28,810,661	\$ 6,012,296	\$ 34,822,957	\$ 391,560

City of Northville, Michigan

Governmental Funds Balance Sheet June 30, 2017

	General Fund	Major Capital	Other	Total
		Projects Funds	Nonmajor	
		Public	Governmental	
		Improvement	Funds	
		Fund		
Assets				
Cash and cash equivalents	\$ 4,072,070	\$ 2,456,931	\$ 4,938,496	\$ 11,467,497
Receivables:				
Property taxes receivable	2,694	-	-	2,694
Special assessments receivable	-	-	74,011	74,011
Accrued interest receivable	40,435	-	-	40,435
Other receivables	218,686	30,149	11,673	260,508
Due from other governmental units	134,431	-	87,267	221,698
Inventory	32,247	-	-	32,247
Prepaid expenses and other assets	139,514	-	14,733	154,247
Land held for resale	-	225,000	-	225,000
Total assets	\$ 4,640,077	\$ 2,712,080	\$ 5,126,180	\$ 12,478,337
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 362,760	\$ 20,407	\$ 139,633	\$ 522,800
Due to other governmental units	30,736	-	-	30,736
Refundable deposits, bonds, etc.	134,040	-	-	134,040
Accrued liabilities and other	477,082	-	9,222	486,304
Unearned revenue	3,421	-	23,425	26,846
Total liabilities	1,008,039	20,407	172,280	1,200,726
Deferred Inflows of Resources (Note 4)	-	-	63,284	63,284
Fund Balances				
Nonspendable:				
Inventory/Assets held for resale	32,247	225,000	-	257,247
Prepays	139,514	-	14,733	154,247
Restricted:				
Roads	-	-	672,953	672,953
Police forfeitures	27,513	-	-	27,513
Streets, drains, and sidewalk improvements	779,952	-	-	779,952
Committed:				
Cemetery improvements	-	179,137	973,677	1,152,814
Arts commission	-	-	65,645	65,645
Capital projects and purchases	-	2,287,536	2,121,592	4,409,128
Parking	-	-	688,455	688,455
Allen Terrace	-	-	348,227	348,227
Debt service	-	-	5,334	5,334
Assigned - DARE	64	-	-	64
Unassigned	2,652,748	-	-	2,652,748
Total fund balances	3,632,038	2,691,673	4,890,616	11,214,327
Total liabilities, deferred inflows of resources, and fund balances	\$ 4,640,077	\$ 2,712,080	\$ 5,126,180	\$ 12,478,337

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Northville, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2017

Fund Balance Reported in Governmental Funds	\$ 11,214,327
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	15,227,691
Infrastructure assets used in governmental activities are not financial resources and are not reported in the funds	10,269,388
Investments in joint ventures are not financial resources and are not reported in the funds	596,297
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	60,737
Receivables that are not collected or collectible within 60 days of year end are not available to pay for current year expenditures	2,547
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(2,167,000)
Interest payable is not accrued in the funds	(14,939)
Compensated absences are not included as a liability of the funds	(525,757)
Other postemployment benefits are not included as a liability of the funds	(1,049,645)
Net pension liability is due and payable in the current period and is not reported in the funds	(7,343,353)
Certain pension contributions and changes in the pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds	971,881
Internal service funds are included as part of governmental activities	<u>1,568,487</u>
Net Position of Governmental Activities	<u>\$ 28,810,661</u>

City of Northville, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2017

	General Fund	Capital Projects Funds		Total
		Public Improvement Fund	Other Nonmajor Governmental Funds	
Revenue				
Property taxes	\$ 5,433,778	\$ -	\$ -	\$ 5,433,778
Community Development Block Grant	-	-	19,104	19,104
Licenses and permits	443,950	-	-	443,950
State-shared revenue and grants	563,457	-	456,504	1,019,961
Cemetery sales and services	113,511	-	-	113,511
Charges for overhead services	203,460	-	-	203,460
Sales and services	645,321	20,550	37,116	702,987
Fines and forfeitures	53,921	-	-	53,921
Investment income	1,165	1,419	2,510	5,094
Rental income	167,680	-	811,104	978,784
Special assessments	-	-	22,366	22,366
Local contribution	133,270	-	224,568	357,838
Racetrack breakage	14,205	104,884	-	119,089
Michigan Housing Authority subsidies	-	-	32,271	32,271
Other	18,777	-	137,544	156,321
Total revenue	7,792,495	126,853	1,743,087	9,662,435
Expenditures - Current				
General government	1,748,726	13,876	-	1,762,602
Public safety:				
Police department	2,708,285	-	100,190	2,808,475
Fire department	915,188	-	29,142	944,330
Public works	662,407	241,518	1,457,059	2,360,984
Senior housing	-	-	1,004,859	1,004,859
Recreation and culture	218,905	-	134,474	353,379
Contribution to MERS trusts	335,000	-	-	335,000
Debt service	51,963	-	263,797	315,760
Total expenditures	6,640,474	255,394	2,989,521	9,885,389
Excess of Revenue Over (Under) Expenditures	1,152,021	(128,541)	(1,246,434)	(222,954)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	1,950	1,950
Transfers in (Note 6)	7,615	38,056	1,475,472	1,521,143
Transfers out (Note 6)	(1,247,933)	(67,615)	(369,314)	(1,684,862)
Total other financing (uses) sources	(1,240,318)	(29,559)	1,108,108	(161,769)
Net Change in Fund Balances	(88,297)	(158,100)	(138,326)	(384,723)
Fund Balances - Beginning of year	3,720,335	2,849,773	5,028,942	11,599,050
Fund Balances - End of year	\$ 3,632,038	\$ 2,691,673	\$ 4,890,616	\$ 11,214,327

The Notes to Financial Statements are an Integral Part of this Statement.

City of Northville, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds	\$ (384,723)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation -	
Capital outlay	1,414,733
Depreciation expense	(1,829,109)
Net income from joint ventures is not recorded in the governmental funds, but is recorded in the statement of activities	48,470
Loss on disposal of assets reported in the statement of activities; it is not reported on the fund level as long-term assets are not reported	(11,515)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	(22,069)
Accrued interest on long-term debt is an expense reported in the statement of activities, but not in the governmental funds since it does not use current financial resources	2,697
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	250,597
Decrease in accumulated employee sick and vacation pay reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it comes due for payment	2,377
Changes in the other postemployment benefits liability reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it becomes due for payment.	174,973
Changes in the net retiree pension liability and deferred outflows related to pensions reported in the statement of activities does not require the use of current resources and therefore is not reported in the fund statements until it becomes due for payment.	583,076
Internal service funds are included as part of governmental activities	(50,473)
Change in Net Position of Governmental Activities	\$ 179,034

City of Northville, Michigan

Proprietary Funds Statement of Net Position June 30, 2017

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Assets				
Current assets:				
Cash and investments	\$ 925,045	\$ 128,108	\$ 1,053,153	\$ 969,663
Receivables	806,602	100,418	907,020	95
Inventory	45,193	-	45,193	21,690
Prepaid expenses and other assets	6,763	758	7,521	1,404
Total current assets	<u>1,783,603</u>	<u>229,284</u>	<u>2,012,887</u>	<u>992,852</u>
Noncurrent assets:				
Restricted assets (Note 8)	-	-	-	272,333
Capital assets (Note 5):				
Assets not subject to depreciation	62,631	-	62,631	-
Assets subject to depreciation	5,442,687	32,212	5,474,899	203,993
Total noncurrent assets	<u>5,505,318</u>	<u>32,212</u>	<u>5,537,530</u>	<u>476,326</u>
Total assets	<u>7,288,921</u>	<u>261,496</u>	<u>7,550,417</u>	<u>1,469,178</u>
Deferred Outflows of Resources - Deferred outflows related to pensions	88,139	7,744	95,883	-
Liabilities				
Current liabilities:				
Accounts payable	210,798	38,562	249,360	4,471
Refundable deposits, bonds, etc.	10,737	-	10,737	-
Accrued liabilities and other	3,861	513	4,374	175,265
Current portion of compensated absences (Note 7)	7,343	1,235	8,578	1,901
Total current liabilities	<u>232,739</u>	<u>40,310</u>	<u>273,049</u>	<u>181,637</u>
Noncurrent liabilities:				
Compensated absences - Net of current portion (Note 7)	11,084	1,864	12,948	2,868
Net retiree healthcare obligation (Note 11)	312,927	30,970	343,897	-
Net pension liability (Note 9)	666,550	58,517	725,067	-
Total noncurrent liabilities	<u>990,561</u>	<u>91,351</u>	<u>1,081,912</u>	<u>2,868</u>
Total liabilities	<u>1,223,300</u>	<u>131,661</u>	<u>1,354,961</u>	<u>184,505</u>
Net Position				
Net investment in capital assets	5,505,318	32,212	5,537,530	203,993
Restricted - Insurance retention	-	-	-	98,590
Unrestricted	648,442	105,367	753,809	982,090
Total net position	<u>\$ 6,153,760</u>	<u>\$ 137,579</u>	6,291,339	<u>\$ 1,284,673</u>

Amounts reported for business-type activities in the statement of net position are different because a portion of the Internal Service Fund is included as business-type activities

(279,043)

Net Position of Business-type Activities

\$ 6,012,296

The Notes to Financial Statements are an Integral Part of this Statement.

City of Northville, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2017

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Operating Revenue				
Sales to customers	\$ 2,927,067	\$ 617,082	\$ 3,544,149	\$ -
Rental income	-	-	-	254,626
Recoveries	-	-	-	2,773
Other revenue	-	742	742	1,515
Total operating revenue	2,927,067	617,824	3,544,891	258,914
Operating Expenses				
General operating and maintenance	2,205,974	491,022	2,696,996	239,452
Claims	-	-	-	75,537
Compensation payouts	-	-	-	23
Other expenses	262,305	49,966	312,271	-
Depreciation	250,222	3,987	254,209	79,278
Total operating expenses	2,718,501	544,975	3,263,476	394,290
Operating Income (Loss)	208,566	72,849	281,415	(135,376)
Nonoperating Revenue				
Investment income	459	66	525	9,002
Gain on sale of assets	-	-	-	5,000
Income (Loss) - Before contributions	209,025	72,915	281,940	(121,374)
Transfers In (Note 6)	163,719	-	163,719	36,500
Transfers Out (Note 6)	-	(36,500)	(36,500)	-
Change in Net Position	372,744	36,415	409,159	(84,874)
Net Position - Beginning of year	5,781,016	101,164	5,882,180	1,369,547
Net Position - End of year	<u>\$ 6,153,760</u>	<u>\$ 137,579</u>	<u>\$ 6,291,339</u>	<u>\$ 1,284,673</u>
Net Change in Net Position - Total enterprise funds			\$ 409,159	
Amounts reported for business-type activities in the statement of activities are different because the Internal Service Fund is allocated partially to business-type activities			(37,709)	
Change in Net Position of Business-type Activities			<u>\$ 371,450</u>	

City of Northville, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2017

	Enterprise Funds			Internal Service Funds
	Water and Sewer	Nonmajor Fund - Refuse and Recycling	Total	
Cash Flows from Operating Activities				
Receipts from customers	\$ 2,891,199	\$ 607,695	\$ 3,498,894	\$ 254,839
Payments to suppliers/insurance claims	(1,937,599)	(480,520)	(2,418,119)	(161,262)
Payments to employees	(589,015)	(61,500)	(650,515)	(113,555)
Other receipts	-	-	-	4,288
Net cash provided by (used in) operating activities	364,585	65,675	430,260	(15,690)
Cash Flows from Noncapital Financing Activities -				
Transfers from (to) other funds	163,719	(36,500)	127,219	36,500
Cash Flows from Capital and Related Financing Activities -				
Purchase of capital assets	(390,363)	-	(390,363)	(62,471)
Cash Flows from Investing Activities -				
Interest received on investments and net realized gains on investments	459	66	525	9,002
Net Increase (Decrease) in Cash and Cash Equivalents	138,400	29,241	167,641	(32,659)
Cash and Cash Equivalents - Beginning of year	786,645	98,867	885,512	1,274,655
Cash and Cash Equivalents - End of year	<u>\$ 925,045</u>	<u>\$ 128,108</u>	<u>\$ 1,053,153</u>	<u>\$ 1,241,996</u>
Statement of Net Position Classification of Cash and Cash Equivalents				
Cash and investments	\$ 925,045	\$ 128,108	\$ 1,053,153	\$ 969,663
Restricted cash	-	-	-	272,333
Total cash and cash equivalents	<u>\$ 925,045</u>	<u>\$ 128,108</u>	<u>\$ 1,053,153</u>	<u>\$ 1,241,996</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 208,566	\$ 72,849	\$ 281,415	\$ (135,376)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	250,222	3,987	254,209	79,278
Changes in assets and liabilities:				
Receivables	(35,868)	(10,129)	(45,997)	173
Inventories	8,657	-	8,657	(2,365)
Prepaid and other assets	1,331	(128)	1,203	(517)
Accounts payable	(6,313)	7,124	811	1,943
Accrued and other liabilities	(97,852)	(11,483)	(109,335)	41,174
Net pension liability	35,842	3,455	39,297	-
Net cash provided by (used in) operating activities	<u>\$ 364,585</u>	<u>\$ 65,675</u>	<u>\$ 430,260</u>	<u>\$ (15,690)</u>

City of Northville, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2017

	Private Purpose Trust - Allen Terrace Trust Fund	Agency Fund
Assets		
Cash and cash equivalents	\$ 144,037	\$ 1,123
Other receivables	14	-
Total assets	144,051	<u>\$ 1,123</u>
Liabilities		
Accounts payable	33	\$ -
Due to other governmental units	-	1,123
Total liabilities	33	<u>\$ 1,123</u>
Net Position Held in Trust for Pension and Other Employee Benefits	<u>\$ 144,018</u>	

City of Northville, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2017

	Private Purpose Trust - Allen Terrace Trust Fund
Additions - Interest and dividends	\$ 79
Deductions - Rent subsidies	900
Net Decrease in Net Position Held in Trust	(821)
Net Position Held in Trust - Beginning of year	144,839
Net Position Held in Trust - End of year	<u>\$ 144,018</u>

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Northville, Michigan (the "City"):

Reporting Entity

The City of Northville, Michigan is governed by a City Council of five members consisting of the elected council members and the mayor, who is deemed a member of the council for all purposes. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

Discretely Presented Component Unit - The Downtown Development Authority (DDA) of the City is reported in a separate component unit column to emphasize that it is legally separate from the City. The DDA was created to assist the City in the development of the downtown area. The DDA's governing body, which consists of nine individuals, is approved by the City Council. In addition, the DDA's budget is subject to approval by the City Council. The financial information included in the separate column is condensed. The complete financial statements of the DDA can be obtained from the city offices at 215 W. Main Street, Northville, Michigan 48167.

Jointly Governed Organization - Jointly governed organizations are discussed in Note 12.

Accounting and Reporting Principles

The City follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources - separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund - The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- Public Improvement Fund - The Public Improvement Fund is a Capital Projects Fund that accounts for breakage revenue to the extent that it exceeds the cost of providing police and fire service at the racetrack. The expenditures in this fund are primarily for public improvement projects.

Note I - Summary of Significant Accounting Policies (Continued)

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as "major" enterprise funds:

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for bimonthly user charges.

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- Allen Terrace Trust Fund, which provides rental subsidies for eligible Allen Terrace residents
- The Agency Fund accounts for assets held by the City in a trustee capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Interfund Activity: During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Note I - Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs, or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: most state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, some special assessment revenue will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Specific Balances and Transactions

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund using a weighted average of balance for the principal.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets - Restricted assets represent funds held with the Michigan Municipal Risk Management Authority for insurance claims. When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to first apply restricted resources.

Note I - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Infrastructure, intangibles, buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Lives
Buildings and building improvements	5 to 50 years
Equipment	3 to 15 years
Land improvements	10 to 20 years
Parking system	5 to 10 years
Roads, sidewalks, and bridges	20 to 50 years
Streetscape	3 to 20 years
Vehicles	2 to 20 years
Refuse and recycling systems	15 years
Wells, water, and sewer distribution systems	30 to 90 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The debt retirement fund is used to liquidate governmental long-term debt.

Note I - Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit pension plan are reported in the government-wide financial statements and the Water and Sewer Fund. The deferred outflows of resources result from two transactions: contributions to the defined benefit pension plan subsequent to the plan's year end through the City's fiscal year end and the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has deferred inflows related to special assessments and grants that are not received within the period of availability.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Note I - Summary of Significant Accounting Policies (Continued)

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The City Council has by resolution authorized the city manager and finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The fund balance policy prescribes the minimum unassigned fund balance in the General Fund as no less than two months of regular operating revenue or regular operating expenditures in the General Fund. This is deemed to be the prudent amount to maintain the City's ability to meet obligations as they come due throughout the year.

Property Tax Revenue

Property tax receivables are shown as net of allowance for uncollectible amounts. Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31 with the final collection date of February 28 before they are added to the county tax rolls.

The 2016 taxable valuation of the City totaled \$340 million (net of captured taxable value of \$24 million), on which taxes levied consisted of 13.5864 mills for the City's operating purposes and 1.7329 mills for street improvements. The ad valorem taxes levied raised approximately \$4.60 million for operations and \$588,000 for street, drainage, and sidewalk improvements. These amounts are recognized in the General Fund financial statements as taxes receivable - current or as tax revenue.

Note I - Summary of Significant Accounting Policies (Continued)

The delinquent real property taxes of the City are purchased by Wayne and Oakland counties. The counties sell tax notes, the proceeds of which are used to pay the City for these property taxes. Both the Wayne County and Oakland County shares of delinquent real property taxes have been recorded as revenue in the current year.

Pension - The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs - The City offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits and accumulate compensatory leave time. After 10 years of service, employees may receive payment of the accumulated sick leave balance at the rate of 50 percent for retirement or 25 percent for other types of termination. A liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. The Employees' Accumulated Compensation Fund internal service fund (or the Leave Time Reserve Fund) has been established to fully reserve funds to liquidate these liabilities for the City. The Downtown Development Authority will liquidate the compensated absences liabilities in that component unit.

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2016		\$	(703,703)
Current year permit revenue			210,873
Related expenses:			
Direct costs	\$	79,666	
Estimated indirect costs		125,264	204,930
			<hr/>
Current year surplus			5,943
			<hr/>
Cumulative shortfall at June 30, 2017		\$	<u>(697,760)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan; and investment pools organized under the surplus funds investment pool acts of the State of Michigan.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all instruments authorized by state statute.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy for custodial credit risk limits bank options to those approved by the council. All banks must supply audited financial statements, proof of state registration, and certification of compliance with the City's investment policy. At year end, the City had \$1,756,999 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. The City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

City of Northville, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

At year end, the City had the following investments:

Investment	Fair Value	Weighted Average Maturity
Primary Government		
Commercial paper	\$ 846,338	119 days
U.S. Treasury	4,386,461	928 days
Federal Agency Bond	7,502,668	643 days
Supra National Agency Bond	618,399	233 days
Federal Agency Collateralized Mortgage Obligations	166,334	254 days
Total	<u>\$ 13,520,200</u>	

Credit Risk - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Primary Government			
Money markets	\$ 92,022	AAAm	S&P
Commercial paper	846,338	A-1	S&P
U.S. Treasury	4,386,461	AA+	S&P
Federal Agency Bonds/CMOs	7,669,001	AA+	S&P
Supra National Agency Bond	618,399	AAA	S&P
Total	<u>\$ 13,612,221</u>		

Concentration of Credit Risk - It is the City's policy to diversify its investment portfolio with a goal of 5 percent maximum exposure to any one credit risk at the time of purchase. This requirement does not apply to investments issued by the U.S. government or its agencies, investments in mutual funds, and external investment pools and other pooled investments. At June 30, 2017, more than 5 percent of the City's investments are in the following federal agency securities:

Federal Home Loan Banks	13%
Fannie Mae	30%
Freddie Mac	13%

City of Northville, Michigan

Notes to Financial Statements June 30, 2017

Note 3 - Deposits and Investments (Continued)

Component Unit and Parks and Recreation Commission - The cash and investments of the Downtown Development Authority and the Northville Parks and Recreation Commission are pooled with the City's cash and investments and included in the amounts above. At June 30, 2017, the carrying amount of the cash and investments for the DDA and the Parks and Recreation Commission was \$378,566 and \$1,392,581, respectively.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City has the following recurring fair value measurements as of June 30, 2017:

Assets Measured at Fair Value on a Recurring Basis

	Balance at June 30, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities:				
U.S. Treasury securities	\$ 4,386,461	\$ -	\$ 4,386,461	\$ -
Supra national agency bonds	618,399	-	618,399	-
Federal agency bonds	7,502,668	-	7,502,668	-
Federal agency collateralized mortgage obligations	166,334	-	166,334	-
Commercial paper	846,338	-	846,338	-
Total investments by fair value level	13,520,200	\$ -	\$ 13,520,200	\$ -
Investments measured at net asset value (NAV) - Money market	92,022			
Total investments measured at fair value	\$ 13,612,222			

Note 3 - Deposits and Investments (Continued)

The fair value of debt securities at June 30, 2017 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using quoted market prices and other market data for the same or comparable instruments and transactions in establishing prices, discounted cash flow models, and other pricing models.

The City holds money market investments in the Governments of Michigan Investing Cooperative Program. These investments are measured at the net asset value (NAV) per share (or its equivalent). There are no limitations or restrictions on participant withdrawals for the cooperative program that is recorded at amortized cost.

Note 4 - Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables that are not collectible soon enough after the end of the year (60 days) that they are considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, there was \$60,737 in unavailable revenue related to special assessments and \$2,547 in unavailable revenue related to amounts that had not been received within the period of availability.

City of Northville, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

Governmental Activities	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 3,611,236	\$ -	\$ -	\$ 3,611,236
Construction in progress	51,143	1,232,098	1,205,905	77,336
Other nondepreciable assets	119,972	-	-	119,972
Subtotal	3,782,351	1,232,098	1,205,905	3,808,544
Capital assets being depreciated:				
Roads, sidewalks, and bridges	29,662,402	900,451	-	30,562,853
Parking system	5,596,142	20,279	-	5,616,421
Buildings and improvements	10,874,038	305,451	7,090	11,172,399
Machinery and equipment	2,303,179	36,500	319,770	2,019,909
Vehicles	2,974,450	114,048	104,941	2,983,557
Streetscape	5,330,109	-	-	5,330,109
Subtotal	56,740,320	1,376,729	431,801	57,685,248
Accumulated depreciation:				
Infrastructure	19,422,807	922,851	-	20,345,658
Parking system	2,406,835	133,904	-	2,540,739
Buildings and improvements	7,169,321	258,339	7,090	7,420,570
Machinery and equipment	1,910,358	102,902	319,770	1,693,490
Vehicles	1,800,654	147,791	93,428	1,855,017
Streetscape	1,673,924	263,322	-	1,937,246
Subtotal	34,383,899	1,829,109	420,288	35,792,720
Net capital assets being depreciated	22,356,421	(452,380)	11,513	21,892,528
Net capital assets	\$ 26,138,772	\$ 779,718	\$ 1,217,418	\$ 25,701,072

City of Northville, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2016	Additions	Disposals	Balance June 30, 2017
Capital assets not being depreciated - Construction in progress	\$ 438,655	\$ 390,363	\$ 766,387	\$ 62,631
Capital assets being depreciated:				
Water and sewer lines	11,219,915	766,387	17,052	11,969,250
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling systems	64,884	-	5,086	59,798
Subtotal	11,306,334	766,387	22,138	12,050,583
Accumulated depreciation:				
Water and sewer lines	6,293,392	250,223	17,052	6,526,563
Buildings and improvements	21,535	-	-	21,535
Refuse and recycling system	28,686	3,986	5,086	27,586
Subtotal	6,343,613	254,209	22,138	6,575,684
Net capital assets being depreciated	4,962,721	512,178	-	5,474,899
Net capital assets	\$ 5,401,376	\$ 902,541	\$ 766,387	\$ 5,537,530

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:

General government	\$ 85,111
Public safety	136,483
Public works	1,321,285
Senior housing	184,697
Recreation and culture	22,255
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	79,278
Total governmental activities	\$ 1,829,109

Business-type activities:

Water and sewer	\$ 250,222
Refuse and recycling	3,987
Total business-type activities	\$ 254,209

City of Northville, Michigan

Notes to Financial Statements June 30, 2017

Note 5 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Allen Drive Sewer Relief	\$ 41,171	\$ 16,893
Downtown Wayfinding	119,988	73,188
Fish Hatchery	25,143	9,757
Elmsmere Drive	21,386	53,325
High Street	20,363	73,500
Center Street Crosswalk	3,934	19,054
Total	<u>\$ 231,985</u>	<u>\$ 245,717</u>

Note 6 - Interfund Transfers

Interfund transfers reported in the fund financial statements are comprised of the following:

<u>Transfer From (Out)</u>	<u>Transfer To (In)</u>	<u>Amount</u>
General Fund	Public Improvement Fund	(2) \$ 36,000
	Water and Sewer Fund	(1) 163,719
	Other nonmajor governmental funds	(1) (2) <u>1,048,214</u>
	Total General Fund	1,247,933
Public Improvement Fund	General Fund	(2) 7,615
	Other nonmajor governmental funds	(1) <u>60,000</u>
	Total Public Improvement Fund	67,615
Other nonmajor governmental funds	Public Improvement Fund	(1) 2,056
	Other nonmajor governmental funds	(1) (2) <u>367,258</u>
	Total other nonmajor governmental funds	369,314
Other nonmajor enterprise funds	Other internal service funds	(1) <u>36,500</u>
	Total	<u>\$ 1,721,362</u>

(1) Transfers between the various funds represent payment from one fund to another without an equivalent return of goods or services to fund projects, capital improvements, or debt service expenditures accounted for in the respective funds.

(2) Transfers between funds are to support the operations of those funds.

City of Northville, Michigan

Notes to Financial Statements June 30, 2017

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
General obligations:						
Allen Terrace renovation bonds (refunding) - Maturing through 2023	2.14%	\$ 620,000	\$ -	\$ 80,000	\$ 540,000	\$ 85,000
Streetscape improvement bonds (refunding) - Maturing through 2025	3.10%	1,335,000	-	130,000	1,205,000	135,000
Installment Purchase Agreement - Maturing through 2026	2.57%	462,597	-	40,597	422,000	42,000
Total bonds payable		2,417,597	-	250,597	2,167,000	262,000
Accumulated compensated absences		528,134	7,852	10,229	525,757	170,794
Total governmental activities		<u>\$ 2,945,731</u>	<u>\$ 7,852</u>	<u>\$ 260,826</u>	<u>\$ 2,692,757</u>	<u>\$ 432,794</u>
Business-type activities - Accumulated compensated absences		<u>\$ 24,547</u>	<u>\$ -</u>	<u>\$ 3,021</u>	<u>\$ 21,526</u>	<u>\$ 8,578</u>

Total interest expense for the year was approximately \$65,000. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending June 30	Principal	Interest	Total
2018	\$ 262,000	\$ 58,308	\$ 320,308
2019	273,000	51,158	324,158
2020	279,000	43,773	322,773
2021	286,000	36,196	322,196
2022	292,000	28,424	320,424
2023-2026	775,000	41,546	816,546
Total	<u>\$ 2,167,000</u>	<u>\$ 259,405</u>	<u>\$ 2,426,405</u>

Advance and Current Refundings - The City defeased certain bonds in a prior period by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. The old bonds are not callable. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2017, \$1,180,000 of bonds outstanding is considered defeased.

Note 8 - Restricted Assets

The balance of the restricted cash account is as follows:

	Governmental Activities
Funds held for insurance claims	\$ 272,333

Note 9 - Agent Defined Benefit Pension Plan Description

Plan Description - The City participates in the Michigan Municipal Employees' Retirement System (MERS or the "System"), an agent multiple-employer defined benefit pension plan that covers regular employees of the City of Northville, Michigan and the Northville Parks and Recreation Commission hired prior to certain dates. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. MERS was established as a statewide public employee pension plan by the Michigan legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided - The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers eligible full-time union and nonunion employees. All divisions are closed.

Retirement benefits for public works employees are calculated as 2.5 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at age 50 with 25 years of service (unreduced) or age 55 with 15 years of service (reduced). The vesting period is 10 years.

Retirement benefits for police employees are calculated as 2.75 percent of the employee's final three-year average salary times the employee's years of service. Employees must contribute 2.65 percent. Normal retirement age is 60 with early retirement at age 50 with 25 years of service (unreduced) or age 55 with 15 years of service. The vesting period is 10 years. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Retirement benefits for clerical employees are calculated as 2.5 percent of the employee's final five-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at age 55 with 25 years of service (unreduced) or age 50 with 25 years of service (reduced). The vesting period is six years.

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Retirement benefits for nonunion employees are calculated as 2.5 percent of the employee's final three- or four-year average salary times the employee's years of service. Normal retirement age is 60 with early retirement at age 50 with 25 years of service (unreduced) or age 55 with 15 years of service (reduced). The vesting period is six years.

All participating employees are eligible for nonduty disability or death benefits when fully vested and for duty-related disability or death benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2 percent, noncompounding.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms - At the December 31, 2016 measurement date, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	63
Inactive plan members entitled to but not yet receiving benefits	10
Active plan members	<u>9</u>
Total employees covered by MERS	<u><u>82</u></u>

Contributions - Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended June 30, 2017, the active police employee contribution rate was 2.65 percent of annual pay and the City's annual required contribution was \$901,164, of which \$51,840 is attributable to the Parks and Recreation Commission.

City of Northville, Michigan

Notes to Financial Statements June 30, 2017

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of December 31, 2016. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 20,046,562	\$ 10,474,839	\$ 9,571,723
Service cost	90,532	-	90,532
Interest	1,547,682	-	1,547,682
Differences between expected and actual experience	(287,626)	-	(287,626)
Contributions - Employer	-	1,319,184	(1,319,184)
Contributions - Employee	-	11,156	(11,156)
Net investment income	-	1,191,540	(1,191,540)
Benefit payments, including refunds	(1,491,621)	(1,491,621)	-
Administrative expenses	-	(23,515)	23,515
Net changes	(141,033)	1,006,744	(1,147,777)
Balance at December 31, 2016	<u>\$ 19,905,529</u>	<u>\$ 11,481,583</u>	<u>\$ 8,423,946</u>

The Northville Parks and Recreation Commission participates in MERS through the City of Northville, Michigan. The Parks and Recreation Commission participates as a cost-sharing participant in the City's plan. At June 30, 2017, the City and the Parks and Recreation Commission reported a liability of \$8,068,420 and \$355,526, respectively, for each participant's proportionate share of the total net pension liability.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended June 30, 2017, the City recognized pension expense of \$710,343. At June 30, 2017, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 404,804
Employer contributions to the plan subsequent to the measurement date	662,960
Total	<u>\$ 1,067,764</u>

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date (\$662,959), which will impact the net pension liability in fiscal year 2016, rather than pension expense.

<u>Years Ending June 30</u>	<u>Amount</u>
2018	\$ 170,479
2019	170,479
2020	132,988
2021	(69,142)

Actuarial Assumptions - The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.75% Average, including inflation
Investment rate of return	7.75% Net of pension plan investment expense, including inflation

Mortality rates were based on a 50 percent male and 50 percent female blend of the following table:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

For disabled retirees, the RP-2014 Disabled Retiree Mortality Table is used with a 50 percent male and 50 percent female blend.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of the most recent actuarial experience study from 2009-2013.

Discount Rate - The discount rate used to measure the total pension liability was 8.0 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2016, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58 %	6.65 %
Global fixed income	20	1.76
Real assets	12	7.72
Diversifying strategies	10	5.50

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the plan, calculated using the discount rate of 8.0 percent, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.0 percent) or 1 percentage point higher (9.0 percent) than the current rate:

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
Net pension liability of the plan	\$ 10,333,093	\$ 8,423,946	\$ 6,789,275

Note 9 - Agent Defined Benefit Pension Plan Description (Continued)

Pension Plan Fiduciary Net Position - Detailed information about the plan's fiduciary net position is available in the separately issued financial report found at www.mersofmich.com. The plan's fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Defined Contribution Pension Plan

The City provides pension benefits to its regular employees hired after various dates beginning in 1997 through a defined contribution plan administered by the Municipal Employees' Retirement System of Michigan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by City Council action, the City contributes 10 to 11 percent of employees' gross earnings for regular nonunion, clerical, and public works employees; 11 to 12 percent for each eligible police patrol and command employee; and 5 to 5.5 percent for each eligible part-time employee. The City's contribution plus investment earnings are fully vested by the employee after seven years of service.

The City's total payroll during the current year was \$4,212,220. The current year contribution was calculated based on covered payroll of \$1,950,512, resulting in an employer contribution of \$205,352.

Note 11 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible city employees, their spouses, and eligible dependent children. Parks and recreation employees have also been provided the same retiree healthcare benefits to eligible parks and recreation employees, their spouses, and eligible dependent children. Separate trusts have been established for city and parks and recreation employees; however, both are utilizing an agent multiple-employer defined benefit plan administered by the Municipal Employees' Retirement System of Michigan Health Funding Vehicle. Benefit provisions are established by negotiated labor contracts and the nonunion benefits policy established by the City Council.

Note 11 - Other Postemployment Benefits (Continued)

For employees hired prior to July 1, 2009, the plan provides lifetime healthcare insurance for eligible retirees and their eligible spouses through the City's group health insurance plan. The City also allows retired and active members participating in the healthcare benefits program to opt out of coverage and receive a payment in lieu of healthcare benefits. At December 31, 2016, the date of the last actuarial valuation, the plan had 94 members. This plan covers both active and retired members. Benefit provisions are established through negotiated labor contracts and the nonunion benefits policy established by the City Council. Of the 94 members, 21 retirees and eight active employees have opted out of healthcare coverage and receive payment in lieu of insurance. The active employees and retirees have the option to opt back in each year, if desired. The Retiree Care Health Plan does not issue a publicly available financial report.

Funding Policy - The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). However, as shown below, the City has made contributions to advance fund these benefits, as determined by the City Council through annual budget resolutions.

For eligible union employees, the City has established an additional healthcare savings plan administered by MERS. The City contributes 1 percent of qualified wages for AFSCME (the public works union) employees hired prior to February 3, 1997. The City also has two police unions. Members of the police unions contribute a minimum of \$5 per pay period to the plan.

For eligible employees hired after July 1, 2008, the City contributes 2 percent to 6 percent of gross earnings, based upon years of service, into the healthcare savings plan. The City's contribution vests after five years of service. In addition, employees must contribute 1 percent of earnings into the plan. There are 12 employees participating in this plan. In accordance with these requirements, the City contributed \$12,037 and employees contributed \$6,019 during the current year. Additionally, there are some AFSCME employees who do not make contributions to the plan and the City contributes 1 percent of earnings into the plan. The City contributed \$1,124 for the one AFSCME employee. Finally, there are nine police officers (POAM, COAM, nonunion) who have employee-only contributions to the plan which totaled \$1,890.

The City funded 100 percent of the cost of current year premiums for eligible retired plan members and their spouses. For fiscal year 2017, the City made premium payments of \$658,498 and contributed an additional \$343,374 to the plan. Plan members receiving benefits contribute between 0 percent to 60 percent of their premium costs depending upon their years of service and date of retirement. In fiscal year 2017, total member contributions were \$17,777.

City of Northville, Michigan

Notes to Financial Statements June 30, 2017

Note 11 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 27 years. The valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution	\$ 808,187
ARC adjustment	(73,836)
Interest on the prior year's net OPEB obligation	<u>63,887</u>
Annual OPEB cost	798,238
Amounts contributed:	
Payments of current premiums	(658,498)
Advance funding	<u>(343,374)</u>
Decrease in net OPEB obligation	(203,634)
OPEB obligation - Beginning of year	<u>1,597,176</u>
OPEB obligation - End of year	<u>\$ 1,393,542</u>

Employer contributions and annual OPEB cost data for the current and preceding years were as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
6/30/15	6/30/15	\$ 852,767	112.8 %	\$ 1,702,219
6/30/16	12/31/15	1,004,460	110.4	1,597,176
6/30/17	12/31/16	798,238	125.5	1,393,542

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Annual Covered Payroll (c)	Ratio of UAAL to Covered Payroll
6/30/14	\$ 6,905,872	\$ 19,305,113	\$12,399,241	35.8 %	\$ 2,618,278	473.6
12/31/15	7,500,415	20,505,136	13,004,721	36.6	1,884,868	690.0
12/31/16	8,098,937	18,716,200	10,617,263	43.3	1,503,996	705.9

Note 11 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4 percent investment rate of return and an annual healthcare cost trend rate of 8.50 percent initially, reduced to an ultimate rate of 5 percent after eight years for current retirees. The expected long-term inflation assumption used was 2.5 percent. A discount rate of 4 percent was used. For those active employees and retirees currently receiving a monthly payment in lieu of healthcare benefits, it was assumed that they will continue to elect to receive a monthly payment in lieu of healthcare benefits during retirement. However, those participants do have an opportunity to elect to receive health coverage in the future. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2016 was 27 years.

Note 12 - Jointly Governed Organizations

The City participates in the Northville Parks and Recreation Commission (the "Recreation Commission") as a joint venture with the Charter Township of Northville. The City is represented by the mayor or mayor pro tem and one other member of the City Council. Approval of the annual budget is required by the City and the Charter Township of Northville. The Recreation Commission has been subsidized to the extent that expenditures exceed operating revenue. At June 30, 2017, the investment in the Recreation Commission was \$576,860. During the current year, the City contributed \$193,481 for the operations of the Recreation Commission. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Recreation Commission can be obtained from the city offices at 215 W. Main Street, Northville, Michigan 48167.

The City sponsors the pension plan and postretirement benefit plan on behalf of the Recreation Commission. The employer of record for the Recreation Commission is the City of Northville, Michigan. Accordingly, employees and retirees of the Recreation Commission participate in the City's employee benefit programs and policies and are pooled with all other City employees for benefits administration. The City charges the Recreation Commission for its pro-rata share of employee fringe benefit costs in the same manner as city departments are charged for fringe benefits. The Recreation Commission contributes a pro-rata share of the amortization of unfunded actuarial liability for the defined benefit pension plan and postretirement benefit plan.

The Recreation Commission reimbursed the City \$242,418 for fringe benefit expenditures during the year ended June 30, 2017.

The City participates in the Northville Youth Assistance Commission (the "Commission") as a joint venture with the Charter Township of Northville and Northville Public Schools. The City appoints three members to the governing board of the Commission. Approval of the annual budget is required by the City and the Charter Township of Northville. At June 30, 2017, the investment in the Commission was \$19,437. During the current year, the City contributed \$17,750 for the operations of the Commission. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Commission can be obtained from the Charter Township of Northville at 44405 Six Mile Road, Northville, Michigan 48167.

The City is a member of the 35th District Court System, which provides judicial services to the City and various other surrounding communities. The City appoints one member to the joint venture's board, which then approves the annual budget, and one member to the related Building Authority board. Complete financial statements for the court can be obtained from the 35th Judicial District Court at 660 Plymouth Road, Plymouth, Michigan 48170.

Note 12 - Jointly Governed Organizations (Continued)

The City is also served by the North Huron Valley/Rouge Valley (NHV/RV) Sewage Disposal System, which provides services to 17 municipal entities including cities, townships, and counties. The City's share of capital assets, operating assets, and related debt is recorded in the Water and Sewer Fund. During fiscal year 2017, the City paid \$815,443 for sewage disposal, operation and maintenance, and debt in this system. Payment of these charges is funded through the collection of sewer fees to city residents.

Note 13 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in the Michigan Municipal Risk Management Authority (the "Authority") for claims relating to property loss, torts, and errors and omissions. The City also participates in the Accident Fund Municipal Group Program for employee injuries. The City purchases commercial insurance for all medical benefits and for firefighter death and disability coverage. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. A portion of the excess insurance coverage is underwritten by the Michigan Municipal Risk Management Authority itself.

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as claims that may have been incurred but not reported. During the year ended June 30, 2017, there were no significant uninsured claims paid by the City and no significant outstanding balances at year end.

Note 14 - Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2018.

In January 2017, the Governmental Accounting Standards Board issued GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities of governments and improves guidance for accounting and financial reporting related to how these activities should be reported. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2019-2020 fiscal year.

Note 15 - Tax Abatements

The City entered into lease agreements with two local businesses to utilize their vacant lots as public parking. Per the underlying contractual agreements, the City reimburses one business 100 percent and the other business 45 percent of their annual property taxes, respectively. The local businesses pay their full tax bill each year. These lease agreements may be terminated at any time. For the current fiscal year, the City reimbursed a total of \$4,923 to the property owners.

Required Supplemental Information

City of Northville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 5,427,587	\$ 5,420,084	\$ 5,433,778	\$ 13,694
Licenses and permits	380,910	416,630	443,950	27,320
State-shared revenue and grants	578,352	561,787	563,457	1,670
Cemetery	71,000	99,700	113,511	13,811
Charges for overhead services	203,460	203,460	203,460	-
Sales and services	609,140	654,400	645,321	(9,079)
Fines and forfeitures	49,500	51,775	53,921	2,146
Investment income	15,500	1	1,165	1,164
Rental income	165,031	168,881	167,680	(1,201)
Local contribution	133,270	133,270	133,270	-
Racetrack breakage	17,808	16,247	14,205	(2,042)
Other	18,200	22,491	18,777	(3,714)
Total revenue	7,669,758	7,748,726	7,792,495	43,769
Expenditures - Current				
General government:				
City Council	14,270	14,055	12,302	1,753
City manager/Communications	353,900	383,000	381,045	1,955
Finance and administrative services	328,990	324,915	322,027	2,888
Technology costs	107,120	77,220	67,729	9,491
Tax and assessing	178,110	161,690	159,872	1,818
City clerk	143,110	137,570	136,816	754
Clerk - Elections	66,595	44,570	42,401	2,169
Buildings and grounds	178,100	185,989	179,623	6,366
City attorney	115,000	139,000	134,361	4,639
Planning, zoning, and inspection	332,125	275,355	264,408	10,947
Insurance	46,710	28,715	28,713	2
Central supply	23,140	21,710	19,429	2,281
Public safety:				
Police	2,792,035	2,761,486	2,708,285	53,201
Fire	851,230	928,000	915,188	12,812
Public works:				
Civic events	35,300	27,040	24,356	2,684
Parking system	111,340	95,095	91,969	3,126
Administration	241,845	243,930	243,449	481
Street lighting and miscellaneous public works	164,460	165,465	165,455	10
Beautification	5,880	4,940	3,998	942
Other public works activities #2	132,500	136,075	133,180	2,895
Recreation and culture	218,905	218,905	218,905	-
Pension and OPEB trust contributions	80,000	335,000	335,000	-
Debt service	51,963	52,023	51,963	60
Total expenditures	6,572,628	6,761,748	6,640,474	121,274
Excess of Revenue Over Expenditures	1,097,130	986,978	1,152,021	165,043
Other Financing Sources (Uses)				
Transfers in	15,368	7,615	7,615	-
Transfers out	(694,332)	(1,366,939)	(1,247,933)	119,006
Total other financing uses	(678,964)	(1,359,324)	(1,240,318)	119,006
Net Change in Fund Balance	418,166	(372,346)	(88,297)	284,049
Fund Balance - Beginning of year	3,720,335	3,720,335	3,720,335	-
Fund Balance - End of year	\$ 4,138,501	\$ 3,347,989	\$ 3,632,038	\$ 284,049

City of Northville, Michigan

Note to Required Supplemental Information Year Ended June 30, 2017

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and all special revenue funds, except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end. The legal level of budgetary control adopted by the City is the activity level.

The budget represents a complete financial plan for all activities of the City for the ensuing fiscal year. All estimated income and proposed expenditures are detailed and presented in a form prescribed by law. In addition, this budget presents the proposed budget as part of a five-year plan to improve the decision-making process.

The budget process begins with goals and objectives meetings in January with the City Council, city manager, and administrative staff. These are public meetings. Based upon presentations by the city staff and discussion between the mayor and City Council, goals and objectives are prioritized by the City Council for the next fiscal year.

Each February, department heads receive work papers to prepare their individual line-item budgets. Upon completion, the departmental budgets are returned to the finance director in March. The city manager and the finance director then analyze these amounts. Furthermore, discussions occur with department heads and the budget is adjusted accordingly.

A proposed balanced budget is then developed to support the direction and focus established for the community by the City Council. Specific issues are identified which are vital to continued quality services within the means available. This method of budgeting serves to improve the level of organizational accountability. City Council meetings, held in April and May, provide all interested citizens an open forum where they can be heard. Upon review, and a subsequent public hearing, the City Council adopts the budget by resolution.

The budget is scheduled for adoption at the second regular City Council meeting in May. The operating millage rate is established as part of the budget adoption resolution at that meeting.

City of Northville, Michigan

Required Supplemental Information Schedule of Changes in the City's Net Pension Liability and Related Ratios Last Three Fiscal Years

	2017	2016	2015
Total Pension Liability			
Service cost	\$ 90,532	\$ 105,071	\$ 108,463
Interest	1,547,682	1,518,738	1,508,044
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(287,626)	(45,461)	-
Changes in assumptions	-	881,953	-
Benefit payments, including refunds	(1,491,621)	(1,540,297)	(1,430,069)
Net Change in Total Pension Liability	(141,033)	920,004	186,438
Total Pension Liability - Beginning of year	20,046,562	19,126,558	18,940,120
Total Pension Liability - End of year	\$ 19,905,529	\$ 20,046,562	\$ 19,126,558
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,319,184	\$ 1,307,640	\$ 1,099,108
Contributions - Member	11,156	11,969	11,676
Net investment income	1,191,540	(167,140)	661,980
Administrative expenses	(23,515)	(23,783)	(24,342)
Benefit payments, including refunds	(1,491,621)	(1,540,297)	(1,430,069)
Net Change in Plan Fiduciary Net Position	1,006,744	(411,611)	318,353
Plan Fiduciary Net Position - Beginning of year	10,474,839	10,886,450	10,568,097
Plan Fiduciary Net Position - End of year	\$ 11,481,583	\$ 10,474,839	\$ 10,886,450
City's Net Pension Liability - Ending	\$ 8,423,946	\$ 9,571,723	\$ 8,240,108
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	57.68 %	52.25 %	56.92 %
Covered Employee Payroll	\$ 706,615	\$ 825,019	\$ 855,589
City's Net Pension Liability as a Percentage of Covered Employee Payroll	1,192.2 %	1,160.2 %	963.1 %

City of Northville, Michigan

Required Supplemental Information Schedule of City Contributions Last Ten Fiscal Years

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 901,164	\$ 851,664	\$ 842,856	\$ 760,020	\$ 717,456	\$ 663,972	\$ 639,696	\$ 558,240	\$ 544,825	\$ 541,632
Contributions in relation to the actuarially determined contribution	1,319,184	1,307,640	1,099,108	1,042,329	717,456	663,972	639,696	558,240	544,825	541,632
Contribution (Excess) Deficiency	\$ (418,020)	\$ (455,976)	\$ (256,252)	\$ (282,309)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 706,615	\$ 825,019	\$ 855,589	\$ 1,051,567	\$ 1,189,266	\$ 1,321,194	\$ 1,430,837	\$ 1,801,142	\$ 1,818,683	\$ 1,878,443
Contributions as a Percentage of Covered Employee Payroll	186.7 %	158.5 %	128.5 %	99.1 %	60.3 %	50.3 %	44.7 %	31.0 %	30.0 %	28.8 %

Notes to Schedule of City Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Option B, level dollar contribution
Remaining amortization period	22 years
Asset valuation method	10-year smoothed
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation
Retirement age	60
Mortality	50 percent female/50 percent male RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105 percent), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend.
Other information	None

Other Supplemental Information

City of Northville, Michigan

Other Supplemental Information Combining Balance Sheet General Fund June 30, 2017

	Combining General Fund				
	General Fund	Street, Drainage, and Sidewalk Improvement Fund	Interfund Investment Pool Fund	Payroll Fund	Total
Assets					
Cash and investments	\$ 2,808,629	\$ 780,374	\$ (40,435)	\$ 523,502	\$ 4,072,070
Receivables:					
Property taxes receivable	2,694	-	-	-	2,694
Accrued interest receivable	-	-	40,435	-	40,435
Other receivables	218,597	89	-	-	218,686
Due from other governmental units	134,431	-	-	-	134,431
Inventory	32,247	-	-	-	32,247
Prepaid expenses and other assets	66,629	-	-	72,885	139,514
	<u>\$ 3,263,227</u>	<u>\$ 780,463</u>	<u>\$ -</u>	<u>\$ 596,387</u>	<u>\$ 4,640,077</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 101,361	\$ 203	\$ -	\$ 261,196	\$ 362,760
Due to other governmental units	21,656	-	-	9,080	30,736
Refundable deposits, bonds, etc.	134,040	-	-	-	134,040
Accrued liabilities and other	150,663	308	-	326,111	477,082
Unearned revenue	3,421	-	-	-	3,421
	<u>411,141</u>	<u>511</u>	<u>-</u>	<u>596,387</u>	<u>1,008,039</u>
Fund Balances					
Nonspendable:					
Inventory/Assets held for resale	32,247	-	-	-	32,247
Prepays	66,629	-	-	72,885	139,514
Restricted:					
Police forfeitures	27,513	-	-	-	27,513
Streets, drains, and sidewalk improvements	-	779,952	-	-	779,952
Assigned - Other	64	-	-	-	64
Unassigned	2,725,633	-	-	(72,885)	2,652,748
	<u>2,852,086</u>	<u>779,952</u>	<u>-</u>	<u>-</u>	<u>3,632,038</u>
Total fund balances	<u>2,852,086</u>	<u>779,952</u>	<u>-</u>	<u>-</u>	<u>3,632,038</u>
Total liabilities and fund balances	<u>\$ 3,263,227</u>	<u>\$ 780,463</u>	<u>\$ -</u>	<u>\$ 596,387</u>	<u>\$ 4,640,077</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances General Fund Year Ended June 30, 2017

	Combining General Fund				
	General Fund	Street, Drainage, and Sidewalk Improvement Fund	Interfund Investment Pool Fund	Payroll Fund	Total
Revenue					
Property taxes	\$ 4,841,882	\$ 591,896	\$ -	\$ -	\$ 5,433,778
Licenses and permits	443,950	-	-	-	443,950
State-shared revenue and grants	563,457	-	-	-	563,457
Sales and services:					
Cemetery sales	113,511	-	-	-	113,511
Charges to other funds	203,460	-	-	-	203,460
Charges for services to external parties	645,321	-	-	-	645,321
Fines and forfeitures	53,921	-	-	-	53,921
Investment income	766	399	-	-	1,165
Rental income	167,680	-	-	-	167,680
Other revenue:					
Local contribution	133,270	-	-	-	133,270
Racetrack breakage	14,205	-	-	-	14,205
Other	18,777	-	-	-	18,777
Total revenue	7,200,200	592,295	-	-	7,792,495
Expenditures					
Current:					
General government	1,748,726	-	-	-	1,748,726
Public safety:					
Police department	2,708,285	-	-	-	2,708,285
Fire department	915,188	-	-	-	915,188
Public works	662,407	-	-	-	662,407
Recreation and culture	218,905	-	-	-	218,905
Pension/OPEB contributions	335,000	-	-	-	335,000
Debt service	51,963	-	-	-	51,963
Total expenditures	6,640,474	-	-	-	6,640,474
Excess of Revenue Over Expenditures	559,726	592,295	-	-	1,152,021
Other Financing Sources (Uses)					
Transfers in	7,615	-	-	-	7,615
Transfers out	(376,515)	(871,418)	-	-	(1,247,933)
Total other financing uses	(368,900)	(871,418)	-	-	(1,240,318)
Net Change in Fund Balances	190,826	(279,123)	-	-	(88,297)
Fund Balances - Beginning of year	2,661,260	1,059,075	-	-	3,720,335
Fund Balances - End of year	\$ 2,852,086	\$ 779,952	\$ -	\$ -	\$ 3,632,038

City of Northville, Michigan

	Special Revenue Funds			
	Major Streets	Local Streets	Parking	Housing Commission
Assets				
Cash and investments	\$ 585,561	\$ 109,730	\$ 675,267	\$ 389,149
Special assessments receivable	-	-	74,011	-
Receivables - Net - Other receivables	58	-	67	46
Due from other governmental units	59,418	25,302	-	2,547
Prepaid expenses and other assets	1,205	7,996	-	5,532
Total assets	\$ 646,242	\$ 143,028	\$ 749,345	\$ 397,274
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
Accounts payable	\$ 72,200	\$ 30,610	\$ 153	\$ 13,271
Accrued liabilities and other	732	3,574	-	4,272
Unearned revenue	-	-	-	23,425
Total liabilities	72,932	34,184	153	40,968
Deferred Inflows of Resources - Unavailable revenue	-	-	60,737	2,547
Fund Balances				
Nonspendable - Prepays	1,205	7,996	-	5,532
Restricted - Roads	572,105	100,848	-	-
Committed:				
Cemetery improvements	-	-	-	-
Arts commission	-	-	-	-
Capital projects and purchases	-	-	-	-
Parking	-	-	688,455	-
Allen Terrace	-	-	-	348,227
Debt service	-	-	-	-
Total fund balances	573,310	108,844	688,455	353,759
Total liabilities, deferred inflows of resources, and fund balances	\$ 646,242	\$ 143,028	\$ 749,345	\$ 397,274

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017**

Special Revenue Funds		Debt Service Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
Cemetery	Arts Commission	DDA Debt Service Fund	Housing Debt Retirement Fund	Police Equipment Replacement	Fire Equipment Replacement	Housing Commission Capital Outlay	
\$ 973,801	\$ 75,439	\$ 2,554	\$ 2,780	\$ 182,749	\$ 1,057,774	\$ 883,692	\$ 4,938,496
-	-	-	-	-	-	-	74,011
97	483	-	-	13	10,837	72	11,673
-	-	-	-	-	-	-	87,267
-	-	-	-	-	-	-	14,733
\$ 973,898	\$ 75,922	\$ 2,554	\$ 2,780	\$ 182,762	\$ 1,068,611	\$ 883,764	\$ 5,126,180
\$ 221	\$ 9,633	\$ -	\$ -	\$ 2,371	\$ 1,638	\$ 9,536	\$ 139,633
-	644	-	-	-	-	-	9,222
-	-	-	-	-	-	-	23,425
221	10,277	-	-	2,371	1,638	9,536	172,280
-	-	-	-	-	-	-	63,284
-	-	-	-	-	-	-	14,733
-	-	-	-	-	-	-	672,953
973,677	-	-	-	-	-	-	973,677
-	65,645	-	-	-	-	-	65,645
-	-	-	-	180,391	1,066,973	874,228	2,121,592
-	-	-	-	-	-	-	688,455
-	-	-	-	-	-	-	348,227
-	-	2,554	2,780	-	-	-	5,334
973,677	65,645	2,554	2,780	180,391	1,066,973	874,228	4,890,616
\$ 973,898	\$ 75,922	\$ 2,554	\$ 2,780	\$ 182,762	\$ 1,068,611	\$ 883,764	\$ 5,126,180

City of Northville, Michigan

	Special Revenue Funds			
	Major Streets	Local Streets	Parking	Housing Commission
Revenue				
Community Development Block Grant	\$ -	\$ -	\$ -	\$ -
State-shared revenue and grants	311,803	144,701	-	-
Sales and services	-	-	-	7,641
Investment income	234	29	375	228
Rental income	-	-	-	810,207
Other revenue:				
Special assessments	-	-	22,366	-
Local contribution	-	-	-	-
Michigan Broadband Authority	-	-	-	32,271
Other	-	-	5,237	8,750
Total revenue	312,037	144,730	27,978	859,097
Expenditures				
Current:				
Public safety	-	-	-	-
Public works	673,155	758,237	25,667	-
Health and welfare	-	-	-	598,808
Recreation and culture	-	-	-	-
Debt service	-	-	-	-
Total expenditures	673,155	758,237	25,667	598,808
Excess of Revenue (Under) Over Expenditures	(361,118)	(613,507)	2,311	260,289
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Transfers in	476,577	513,507	-	15,330
Transfers out	(118,666)	-	-	(248,592)
Total other financing sources (uses)	357,911	513,507	-	(233,262)
Net Change in Fund Balances	(3,207)	(100,000)	2,311	27,027
Fund Balances - Beginning of year	576,517	208,844	686,144	326,732
Fund Balances - End of year	\$ 573,310	\$ 108,844	\$ 688,455	\$ 353,759

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2017**

Special Revenue Funds		Debt Service Funds		Capital Projects Fund			Total Nonmajor Governmental Funds
Cemetery	Arts Commission	DDA Debt Service Fund	Housing Debt Retirement Fund	Police Equipment Replacement	Fire Equipment Replacement	Housing Commission Capital Outlay	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,104	\$ 19,104
-	-	-	-	-	-	-	456,504
29,475	-	-	-	-	-	-	37,116
530	29	-	-	96	503	486	2,510
-	897	-	-	-	-	-	811,104
-	-	-	-	-	-	-	22,366
-	1,260	171,385	-	-	51,923	-	224,568
-	-	-	-	-	-	-	32,271
-	123,557	-	-	-	-	-	137,544
<u>30,005</u>	<u>125,743</u>	<u>171,385</u>	<u>-</u>	<u>96</u>	<u>52,426</u>	<u>19,590</u>	<u>1,743,087</u>
-	-	-	-	100,190	29,142	-	129,332
-	-	-	-	-	-	-	1,457,059
-	-	-	-	-	-	406,051	1,004,859
-	134,474	-	-	-	-	-	134,474
-	-	171,385	92,412	-	-	-	263,797
<u>-</u>	<u>134,474</u>	<u>171,385</u>	<u>92,412</u>	<u>100,190</u>	<u>29,142</u>	<u>406,051</u>	<u>2,989,521</u>
30,005	(8,731)	-	(92,412)	(100,094)	23,284	(386,461)	(1,246,434)
-	-	-	-	1,950	-	-	1,950
-	-	-	92,412	69,000	152,466	156,180	1,475,472
-	(2,056)	-	-	-	-	-	(369,314)
<u>-</u>	<u>(2,056)</u>	<u>-</u>	<u>92,412</u>	<u>70,950</u>	<u>152,466</u>	<u>156,180</u>	<u>1,108,108</u>
30,005	(10,787)	-	-	(29,144)	175,750	(230,281)	(138,326)
<u>943,672</u>	<u>76,432</u>	<u>2,554</u>	<u>2,780</u>	<u>209,535</u>	<u>891,223</u>	<u>1,104,509</u>	<u>5,028,942</u>
<u>\$ 973,677</u>	<u>\$ 65,645</u>	<u>\$ 2,554</u>	<u>\$ 2,780</u>	<u>\$ 180,391</u>	<u>\$ 1,066,973</u>	<u>\$ 874,228</u>	<u>\$ 4,890,616</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2017

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 444,117	\$ 1,005	\$ 524,541	\$ 969,663
Receivables - Net - Other receivables	43	-	52	95
Inventory	21,690	-	-	21,690
Prepaid expenses and other assets	1,404	-	-	1,404
Total current assets	467,254	1,005	524,593	992,852
Noncurrent assets:				
Restricted assets	-	272,333	-	272,333
Capital assets - Assets subject to depreciation	203,993	-	-	203,993
Total noncurrent assets	203,993	272,333	-	476,326
Total assets	671,247	273,338	524,593	1,469,178
Liabilities				
Current liabilities:				
Accounts payable	4,352	-	119	4,471
Accrued liabilities and other	517	174,748	-	175,265
Current portion of compensated absences	1,901	-	-	1,901
Total current liabilities	6,770	174,748	119	181,637
Noncurrent liabilities - Compensated absences - Net of current portion				
	2,868	-	-	2,868
Total liabilities	9,638	174,748	119	184,505
Net Position				
Invested in capital assets	203,993	-	-	203,993
Restricted - Insurance claims	-	98,590	-	98,590
Unrestricted	457,616	-	524,474	982,090
Total net position	<u>\$ 661,609</u>	<u>\$ 98,590</u>	<u>\$ 524,474</u>	<u>\$ 1,284,673</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds Year Ended June 30, 2017

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Operating Revenue				
Rental income	\$ 254,626	\$ -	\$ -	\$ 254,626
Recoveries	-	2,773	-	2,773
Other revenue	1,515	-	-	1,515
Total operating revenue	256,141	2,773	-	258,914
Operating Expenses				
Other operation and maintenance	239,452	-	-	239,452
Claims	-	75,537	-	75,537
Compensation pay-outs	-	-	23	23
Depreciation	79,278	-	-	79,278
Total operating expenses	318,730	75,537	23	394,290
Operating Loss	(62,589)	(72,764)	(23)	(135,376)
Nonoperating Revenue				
Investment income	241	8,472	289	9,002
Gain on sale of assets	5,000	-	-	5,000
(Loss) Income - Before contributions	(57,348)	(64,292)	266	(121,374)
Transfers In	36,500	-	-	36,500
Change in Net Position	(20,848)	(64,292)	266	(84,874)
Net Position - Beginning of year	682,457	162,882	524,208	1,369,547
Net Position - End of year	<u>\$ 661,609</u>	<u>\$ 98,590</u>	<u>\$ 524,474</u>	<u>\$ 1,284,673</u>

City of Northville, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2017

	Municipal Equipment	Insurance Retention Fund	Employees' Accumulated Compensation	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 254,839	\$ -	\$ -	\$ 254,839
Payments to suppliers/insurance claims	(161,262)	-	-	(161,262)
Payments to employees	(85,280)	(28,208)	(67)	(113,555)
Other receipts	1,515	2,773	-	4,288
Net cash used in operating activities	9,812	(25,435)	(67)	(15,690)
Cash Flows from Noncapital Financing Activities - Transfers from other funds				
	36,500	-	-	36,500
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets				
	(62,471)	-	-	(62,471)
Cash Flows from Investing Activities - Interest received on investments				
	241	8,472	289	9,002
Net (Decrease) Increase in Cash and Cash Equivalents	(15,918)	(16,963)	222	(32,659)
Cash and Cash Equivalents - Beginning of year	460,035	290,301	524,319	1,274,655
Cash and Cash Equivalents - End of year	<u>\$ 444,117</u>	<u>\$ 273,338</u>	<u>\$ 524,541</u>	<u>\$ 1,241,996</u>
Statement of Net Position Classification of Cash and Cash Equivalents				
Cash and investments	\$ 444,117	\$ 1,005	\$ 524,541	\$ 969,663
Restricted cash	-	272,333	-	272,333
Total cash and cash equivalents	<u>\$ 444,117</u>	<u>\$ 273,338</u>	<u>\$ 524,541</u>	<u>\$ 1,241,996</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (62,589)	\$ (72,764)	\$ (23)	\$ (135,376)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation and amortization	79,278	-	-	79,278
Changes in assets and liabilities:				
Receivables	213	-	(40)	173
Inventories	(2,365)	-	-	(2,365)
Prepaid and other assets	(517)	-	-	(517)
Accounts payable	1,947	-	(4)	1,943
Accrued and other liabilities	(6,155)	47,329	-	41,174
Net cash used in operating activities	<u>\$ 9,812</u>	<u>\$ (25,435)</u>	<u>\$ (67)</u>	<u>\$ (15,690)</u>